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CORPORATION FILE

J. J. NEWBERRY CO.

ANNUAL REPORT

for the Year

1946

J. J. NEWBERRY CO.



ANNUAL REPORT

for the Year

1946

J. J. NEWBERRY CO.

245 FIFTH AVENUE

New York

OFFICERS

| | |
|------------------------------|-------------------------------------|
| J. J. NEWBERRY | <i>Chairman of the Board</i> |
| E. A. NEWBERRY | <i>President</i> |
| T. H. HOCHSTRASSER | <i>Vice-President</i> |
| J. E. NELSON | <i>Vice-President</i> |
| F. R. SMITH | <i>Vice-President</i> |
| J. H. EWEN | <i>Vice-President and Treasurer</i> |
| H. M. WILLGOHS | <i>Secretary and Comptroller</i> |
| F. S. NEWBERRY | <i>Assistant Secretary</i> |
| W. C. STRAUS | <i>Assistant Treasurer</i> |

DIRECTORS

| | | |
|------------------|---------------------|-----------------|
| J. J. NEWBERRY | | E. A. NEWBERRY |
| J. E. NELSON | T. H. HOCHSTRASSER | F. R. SMITH |
| ANNA C. NEWBERRY | J. H. EWEN | C. T. NEWBERRY |
| W. C. BAKER | J. J. NEWBERRY, JR. | W. WILLIAMS |
| F. S. NEWBERRY | W. C. SCHULZ | M. G. PALLISTER |

| | |
|---------------------------|--|
| TRANSFER AGENT | <i>Corporation Trust Co., New York</i> |
| REGISTRAR | <i>Guaranty Trust Co., New York</i> |
| GENERAL COUNSEL | <i>Pallister & Pallister</i> |
| AUDITORS | <i>Peat, Marwick, Mitchell & Co.</i> |

TO OUR STOCKHOLDERS:

The Annual Report of our Company for 1946 including Comparative Financial Statements is submitted herewith.

The continuous growth of the Company from its inception, as evidenced by the figures on Page 9, we believe will prove of interest.

Total sales for 1946 were \$113,228,967, an increase of \$12,360,208 over the 1945 record.

Net income for 1946, after taxes and all other charges, amounted to \$7,582,272 compared with \$3,309,135 for 1945.

After providing for dividends on the Preferred Stock, the 1946 earnings equaled \$4.74 per share on the Common Stock of which there are 1,521,784 shares outstanding compared with \$1.93 earned per share in 1945.

Dividends paid to Common Stockholders during 1946 equaled \$2,054,408 compared with \$913,070 paid in 1945.

Common Dividend rates were 25 cents per share for the first three quarters of 1946, 35 cents for the fourth quarter with an extra dividend of 25 cents paid in December, making a total of \$1.35 per share paid for the year 1946.

At the February 1947 meeting, the Board of Directors declared a dividend of 50 cents per share on the Common Stock payable April 1, 1947.

Salaries and wages paid employees during 1946 totaled \$19,303,412 compared with \$16,805,145 in 1945.

The elimination of the excess profits tax resulted in a reduction of Federal income taxes to \$4,675,000 for 1946 as compared with \$8,443,241 for 1945, however, other taxes continue to represent a major item of expense. Without giving effect to Social Security Taxes, all other items in this category amounted to \$608,931 for the year 1946 as compared with \$558,838 for the year 1945; for Social Security Taxes, which includes the Federal Old Age Pension and State Unemployment Insurance, the Company paid \$454,167 in 1946 compared with \$405,226 in 1945. The Company also collected for Federal, state and municipal authorities sales and excise taxes of \$1,193,789 for the year 1946 as compared to \$1,056,202 for 1945.

In 1946 the Company established a Group Insurance Plan which includes Life Insurance, Hospitalization, Surgical, Accident and Health Benefits. Under this Plan the Company bears the entire premium cost and the coverage is extended to all personnel who have been in the employ of the Company one year or longer. The cost of this to the Company from August 15, 1946 to December 31, 1946 amounted to \$69,581.

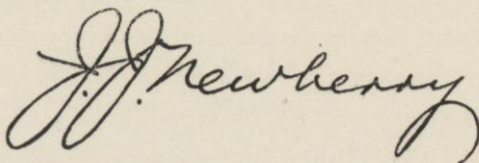
The employees eligible for the Newberry Pension Plan paid \$89,580 and the Company's share was \$177,060 for 1946.

During war years the Company's normal store expansion was of necessity curtailed by government restrictions. Extensive plans have been made for much needed enlargement and modernization of many present stores to insure the Company's future competitive position. This expansion program entailing several million dollars will proceed as rapidly as restrictions are modified and building costs warrant.

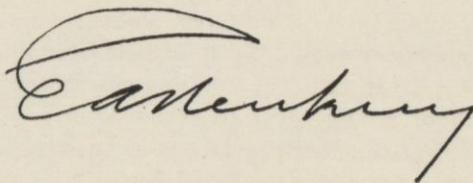
We were pleased to welcome back into the organization most of the employees who left to enter the service of their country during the war.

On behalf of the Company, the Board of Directors take this opportunity to express appreciation for the splendid cooperation received from our employees and also to commend them for their faithfulness and loyalty.

Very truly yours,

A handwritten signature in cursive script, reading "J. J. Newberry". The signature is fluid and elegant, with a large, sweeping initial "J".

Chairman of the Board.

A handwritten signature in cursive script, reading "E. Newberry". The signature is fluid and elegant, with a large, sweeping initial "E".

President.

March 7, 1947.

ACCOUNTANTS' REPORT

To The Board of Directors,
J. J. NEWBERRY Co.,
New York, N. Y.

We have examined the consolidated balance sheet of J. J. Newberry Co. and subsidiary companies as of December 31, 1946 and the statements of consolidated profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related statements of consolidated profit and loss and surplus present fairly the consolidated position of J. J. Newberry Co. and subsidiary companies at December 31, 1946 and the results of the operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & Co.

New York, N. Y.
March 3, 1947.

COMPARATIVE CONSOLID

AS OF DECEMBER 31, 1946

ASSETS

| | December 31, 1946 | 1945 |
|--|----------------------|---------------------|
| CURRENT ASSETS: | | |
| Cash in banks, on hand and in transit..... | \$12,983,352 | \$13,308,533 |
| Miscellaneous accounts receivable..... | 206,201 | 249,919 |
| U. S. Treasury Savings Notes, Series C, less amount deducted from Federal tax liability (contra), \$4,680,893 as of December 31, 1946; \$8,000,000 as of December 31, 1945..... | 2,119,107 | — |
| Other U. S. Government securities—at cost. . . | 174,174 | 250,174 |
| Postwar excess profits tax refund..... | — | 531,921 |
| Merchandise, at the lower of cost or market... | 17,641,430 | 13,655,530 |
| TOTAL CURRENT ASSETS..... | 33,124,264 | 27,996,077 |
| MISCELLANEOUS INVESTMENTS AND ADVANCES (at cost)..... | 524,622 | 175,052 |
| PROPERTY AND EQUIPMENT: | | |
| Land, buildings and improvements, at or below cost..... | 9,780,359 | 9,058,861 |
| Furniture and fixtures, at cost..... | 12,413,123 | 11,816,403 |
| | 22,193,482 | 20,875,264 |
| Less Reserves for depreciation..... | 8,244,799 | 7,601,214 |
| | 13,948,683 | 13,274,050 |
| Alterations and improvements to leased prem- ises, at or below cost..... | 5,487,804 | 5,197,170 |
| Less Reserve for amortization..... | 2,631,963 | 2,399,585 |
| | 2,855,841 | 2,797,585 |
| TOTAL PROPERTY AND EQUIPMENT (net).. | 16,804,524 | 16,071,635 |
| PREPAID EXPENSES AND DEFERRED CHARGES: | | |
| Unexpired insurance, supplies, prepaid rents, taxes, pension premiums, etc..... | 664,061 | 655,772 |
| Improvements to leased properties (recoverable) and miscellaneous deferred charges..... | 92,468 | 107,529 |
| TOTAL PREPAID EXPENSES, ETC..... | 756,529 | 763,301 |
| | \$51,209,939 | \$45,006,065 |

ERRY CO. Y COMPANIES

DATED BALANCE SHEET AND DECEMBER 31, 1945

LIABILITIES

| | December 31, 1946 | 1945 |
|---|----------------------|---------------------|
| CURRENT LIABILITIES: | | |
| Accounts payable, bonuses and accrued liabilities | \$ 9,005,642 | \$ 7,461,976 |
| Provision for Federal taxes on income (less U. S. Treasury Savings Notes, Series C, \$4,680,893 as of December 31, 1946; \$8,000,000 as of December 31, 1945)..... | — | 447,276 |
| Dividend payable on preferred stock—due February 1 of following year..... | 93,752 | 93,752 |
| TOTAL CURRENT LIABILITIES..... | 9,099,394 | 8,003,004 |
| MORTGAGES PAYABLE ON REAL ESTATE (estimated principal or installment payments due in 1947—\$125,000; in 1946—\$99,000)..... | 2,702,743 | 2,699,554 |
| RESERVE FOR SELF-INSURANCE (fire and burglary).. | 221,390 | 269,950 |
| CAPITAL STOCK AND SURPLUS: | | |
| Cumulative Preferred Stock, par value \$100.00 per share: | | |
| Authorized, 125,000 shares, issuable in series | | |
| Issued, 100,000 shares, 3¾% Series (redeemable at \$105.00 per share up to August 1, 1947 and on a decreasing scale to August 1, 1953 and at any time thereafter at \$101.50 per share, plus accrued dividends in each case)..... | 10,000,000 | 10,000,000 |
| Common Stock, no par value: | | |
| Authorized, 2,000,000 shares | | |
| Issued, 1,581,256 shares..... | 5,208,572 | 5,208,572 |
| Earned Surplus (preferred stock provisions limit amount distributable to common stockholders to \$8,177,350 as of December 31, 1946)..... | 24,280,802 | 19,127,947 |
| | 39,489,374 | 34,336,519 |
| Less Cost of 59,472 shares of common stock in treasury..... | 302,962 | 302,962 |
| TOTAL CAPITAL STOCK AND SURPLUS..... | 39,186,412 | 34,033,557 |
| | \$51,209,939 | \$45,006,065 |

J. J. NEWBERRY CO.
AND SUBSIDIARY COMPANIES

COMPARATIVE STATEMENTS OF
CONSOLIDATED PROFIT AND LOSS AND SURPLUS

FOR THE TWO YEARS ENDED DECEMBER 31, 1946

PROFIT AND LOSS

| | Year ended December 31, 1946 | 1945 |
|---|---------------------------------|---------------|
| Sales..... | \$113,228,967 | \$100,868,759 |
| Cost of Merchandise Sold and Operating Expenses, including general and administrative expenses and after deducting income from rentals..... | 100,045,313 | 88,128,307 |
| | 13,183,654 | 12,740,452 |
| Other income (net)..... | 98,369 | 49,805 |
| | 13,282,023 | 12,790,257 |
| Deduct: | | |
| Interest on mortgages and other interest..... | 96,625 | 98,900 |
| Provision for depreciation and amortization.... | 928,126 | 885,675 |
| | 1,024,751 | 984,575 |
| | 12,257,272 | 11,805,682 |
| Provision for Federal Taxes on Income (including \$7,183,331 excess profits tax in 1945)..... | 4,675,000 | 8,443,241 |
| | 7,582,272 | 3,362,441 |
| Dividends on Preferred Stocks of J. J. Newberry Realty Co. in hands of public (retired in 1945). | — | 53,306 |
| Net Income for the year transferred to Earned Surplus..... | \$ 7,582,272 | \$ 3,309,135 |

SURPLUS

| | | |
|--|---------------|---------------|
| Balance at beginning of year..... | \$ 19,127,947 | \$ 17,530,734 |
| Net Income for the year..... | 7,582,272 | 3,309,135 |
| | 26,710,219 | 20,839,869 |
| Less Dividends: | | |
| 5% Cumulative Preferred Stock, Series A (prior issue)..... | — | 208,023 |
| 3¾% Cumulative Preferred Stock..... | 375,009 | 163,546 |
| Common Stock—in 1946, \$1.35 per share; in 1945, \$2.40 per share (before split-up in De- cember, 1945)..... | 2,054,408 | 913,070 |
| | 2,429,417 | 1,284,639 |
| | 24,280,802 | 19,555,230 |
| Deduct: | | |
| Premiums on retirement of preferred stocks: | | |
| 6½% and 6% preferred stocks of J. J. New- berry Realty Co..... | — | 201,980 |
| 5% Cumulative Preferred Stock, Series A, of J. J. Newberry Co. (Delaware)..... | — | 152,958 |
| Stock issue expense, net of premium received, relating to sale of 3¾% Cumulative Preferred and split-up of Common Stock..... | — | 72,345 |
| | — | 427,283 |
| Balance at end of year..... | \$ 24,280,802 | \$ 19,127,947 |

RECORD OF SALES AND EARNINGS

| <i>Year</i> | <i>Number of Stores</i> | <i>Sales</i> | <i>Earnings per share on Common Stock Outstanding</i> |
|-------------|-----------------------------|--------------|---|
| 1912..... | 1 | \$ 32,383 | N O T I N C O R P O R A T E D |
| 1913..... | 2 | 42,184 | |
| 1914..... | 3 | 92,640 | |
| 1915..... | 5 | 116,009 | |
| 1916..... | 5 | 151,465 | |
| 1917..... | 6 | 149,466 | |
| 1918..... | 7 | 276,449 | |
| 1919..... | 17 | 502,445 | |
| 1920..... | 17 | 751,984 | |
| 1921..... | 26 | 1,157,234 | |
| 1922..... | 33 | 1,750,066 | |
| 1923..... | 51 | 3,564,947 | \$4.68 |
| 1924..... | 68 | 5,114,339 | 6.42 |
| 1925..... | 86 | 6,897,414 | 8.28 |
| 1926..... | 112 | 9,985,074 | *3.06 |
| 1927..... | 151 | 15,069,159 | 3.65 |
| 1928..... | 210 | 20,609,366 | 4.62 |
| 1929..... | 279 | 27,789,369 | †3.15 |
| 1930..... | 335 | 30,187,392 | 2.22 |
| 1931..... | 379 | 31,146,802 | 1.73 |
| 1932..... | 406 | 33,121,670 | 1.07 |
| 1933..... | 417 | 35,146,574 | 3.06 |
| 1934..... | 431 | 41,054,218 | 5.38 |
| 1935..... | 450 | 43,388,611 | 4.94 |
| 1936..... | 461 | 48,376,510 | 6.03 |
| 1937..... | 469 | 50,315,454 | 5.27 |
| 1938..... | 476 | 49,040,697 | 4.04 |
| 1939..... | 479 | 52,272,953 | 5.44 |
| 1940..... | 486 | 55,879,580 | 4.53 |
| 1941..... | 488 | 64,228,956 | 6.40 |
| 1942..... | 492 | 77,313,152 | 6.70 |
| 1943..... | 491 | 91,028,763 | 7.58 |
| 1944..... | 491 | 95,861,688 | 7.39 |
| 1945..... | 488 | 100,868,759 | ‡1.93 |
| 1946..... | 487 | 113,228,967 | 4.74 |

* Stock split-up 3 shares for 1 in 1926.

† Stock dividend of 50% and rights to subscribe to 10% of holdings issued May 1st, 1929.

‡ Stock split-up 4 shares for 1 in 1945.

STORE LOCATIONS

Alabama—3

Birmingham
Dothan
Montgomery

Arizona—3

Douglas
Nogales
Phoenix

Arkansas—2

Hot Springs
Pine Bluff

California—68

Alhambra
Bakersfield
Bellflower
Beverly Hills
Brawley
Burbank
Compton
Covina
Downey
El Centro
Fresno
Glendale
Hanford
Hollywood
Huntington
Park (2)
Inglewood
Long Beach (2)
Los Angeles (17)
Marysville
Merced
Modesto
North Hollywood
Oakland
Ocean Park
Ontario
Pasadena
Pomona
Redlands
Redondo Beach
Salinas
San Bernardino
San Francisco
San Jose
San Mateo
San Pedro (2)
Santa Ana
Santa Barbara
Santa Cruz
Santa Monica (2)
Santa Rosa
So. Pasadena
Studio City
Torrance
Vallejo

Calif. [Contd.]

Van Nuys
Ventura
Visalia
Whittier

Colorado—4

Denver
Fort Collins
La Junta
Pueblo

Connecticut—5

Hartford
New Haven
Norwalk
Wallingford
Winsted

Florida—2

Pensacola
Tampa

Georgia—3

Atlanta
Columbus
Macon

Idaho—4

Boise
Lewiston
Pocatello
Twin Falls

Illinois—12

Alton
Belleville
Canton
Collinsville
Dixon
East St. Louis
Granite City
Litchfield
Macomb
Peoria
Rock Island
West Frankfort

Indiana—16

Auburn
Connersville
Decatur

Indiana [Contd.]

East Chicago
Gary
Goshen
Hammond
Hartford City
Indiana Harbor
Jasper
Jeffersonville
Marion
Martinsville
New Albany
New Castle
Whiting

Iowa—6

Boone
Iowa Falls
Mason City
Newton
Ortumba
Webster City

Kansas—3

Chanute
Coffeyville
Parsons

Kentucky—25

Bardstown
Central City
Corbin
Cynthiana
Danville
Elizabethtown
Frankfort
Glasgow
Harlan
Harrodsburg
Hazard
Henderson
Lawrenceburg
Lebanon
Louisville
Mayfield
Mt. Sterling
Owensboro
Paris
Pineville
Richmond
Shelbyville
Somerset
Versailles
Winchester

Louisiana—1

Lake Charles

Maine—22

Bangor
Bath
Biddeford
Calais
Caribou
Dover-Foxcroft
Eastport
Ellsworth
Farmington
Fort Fairfield
Fort Kent
Houlton
Lewiston
Lincoln
Madawaska
Mars Hill
Millinocket
Norway
Presque Isle
Rockland
Rumford
Van Buren

Maryland—6

Brunswick
Elkton
Frederick
Hagerstown
Pocomoke City
Salisbury

Massach'setts—29

Amesbury
Attleboro
Boston
Brockton
Bridgewater
Chelsea
Clinton
Fall River
Falmouth
Framingham
Franklin
Gardner
Haverhill
Holyoke
Lawrence
Leominster
Lowell
Maynard
Newburyport
North Adams
North Attleboro
Pittsfield
Rockland
Stoughton
Wakefield
Ware
Whitman
Woburn
Worcester

Michigan—13

Alma
Calumet
Charlotte
Coldwater
Houghton
Iron Mountain
Iron River
Ishpeming
Ludington
Manistee
Midland
Port Huron
Three Rivers

Minnesota—2

St. Cloud
Duluth

Mississippi—1

Meridian

Missouri—12

Cape Girardeau
Columbia
Excelsior Spgs.
Hannibal
Jefferson City
Joplin
Maplewood
Poplar Bluff
St. Louis (3)
Springfield

Montana—2

Billings
Great Falls

New Hampshire—15

Berlin
Claremont
Concord
Derry
Dover
Franklin
Keene
Laconia
Littleton
Manchester
Nashua
Plymouth
Portsmouth
Rochester
Tilton

STORE LOCATIONS—Continued

New Jersey—17

Asbury Park
Atlantic City
Boonton
Bridgeport
Caldwell
Dover
Freehold
Hackettstown
Hammononton
Keyport
Long Branch
Millville
New Brunswick
Newton
Red Bank
Vineland
Wildwood

New Mexico—2

Las Vegas
Raton

New York—57

Albany
Albion
Amsterdam
Auburn
Ballston Spa
Batavia
Bath
Buffalo
Canandaigua
Canton
Carthage
Catskill
Cobleskill
Cohoes
Cooperstown
Corning
Cortland
Elmira
Endicott
Gloversville
Gouverneur
Greenpoint
Herkimer
Hornell
Hudson
Ithaca
Johnstown
Kingston
Little Falls
Lockport
Lyons
Malone
Massena

N. Y. [Contd.]

Mechanicville
Middletown
Niagara Falls
Northville
Nyack
Ogdensburg
Oneonta
Ossining
Owego
Peekskill
Penn Yan
Perry
Port Jervis
Poughkeepsie
Salamanca
Saranac Lake
Saratoga Springs
Saugerties
Ticonderoga
Tupper Lake
Walton
Watertown
Wellsville
Whitehall

N. Carolina—5

Asheville
Monroe
Oxford
Reidsville
Statesville

North Dakota—2

Fargo
Grand Forks

Ohio—28

Ashland
Ashtabula
Bowling Green
Bryan
Bucyrus
Cambridge
Chillicothe
Cincinnati
Cleveland (3)
Columbus
Conneaut
Coshocton
East Palestine
Findlay
Fremont
Hamilton
Ironton
Lancaster

Ohio [Contd.]

Lima
Massillon
New Philadelphia
Painesville
Tiffin
Warren
Wooster
Zanesville

Oklahoma—3

Okmulgee
Sapulpa
Tulsa

Oregon—6

Astoria
Bend
Eugene
Klamath Falls
Medford
Portland

Pennsylvania—49

Ashland
Berwick
Bloomsburg
Bradford
Carbondale
Chambersburg
Coalport
Coatesville
Danville
Downingtown
Du Bois
Ephrata
Forest City
Freeland
Homestead
Jersey Shore
Kulpmont
Lansford
Lewisburg
Lock Haven
McAdoo
Mahanoy City
Mauch Chunk
Middletown
Milton
Mt. Carmel
Nanticoke
Newport
Northampton
Olyphant
Oxford

Penn. [Contd.]

Philadelphia
Phoenixville
Plymouth
Portstown
Renovo
Royersford
Sayre
Scranton
Shamokin
Shenandoah
Somerset
Stroudsburg
Sunbury
Tamaqua
Towanda
Waynesboro
Wellsboro
West Chester

Rhode Island—4

Newport
Providence
Warren
West Warwick

So. Carolina—3

Camden
Chester
Rock Hill

South Dakota—8

Aberdeen
Huron
Lead
Mitchell
Rapid City
Sioux Falls
Vermillion
Yankton

Tennessee—2

Gallatin
Jellico

Texas—4

Amarillo
Denison
El Paso
Texarkana

Utah—1

Ogden

Vermont—7

Barre
Bellows Falls
Newport
Rutland
Springfield
White River
Junction
Windsor

Virginia—13

Bedford
Clifton Forge
Culpeper
Farmville
Fredericksburg
Front Royal
Lexington
Norfolk
Salem
South Boston
Staunton
Winchester
Wytheville

Washington—7

Bellingham
Everett
Seattle
Spokane
Walla Walla
Wenatchee
Yakima

West Virginia—3

Charleston
Charles Town
Martinsburg

Wisconsin—5

Fond Du Lac
Kenosha
Oshkosh
Rhineland
Superior

Wyoming—2

Cheyenne
Rock Springs

Figures in parentheses indicate the number of stores in cities where more than one store is in operation.

